Rotherham Borough Investment & Property Trends Report 2007/08

RiDO
Rotherham Investment & Development Office

a service of

Rotherham Metropolitan Borough Council

April 2008

Introduction

RiDO monitors activity across the Rotherham Borough in relation to demand and supply for land & property. This is then provided to help inform developers, investment & property agents and the council as well as helping to improve the service that RiDO provides.

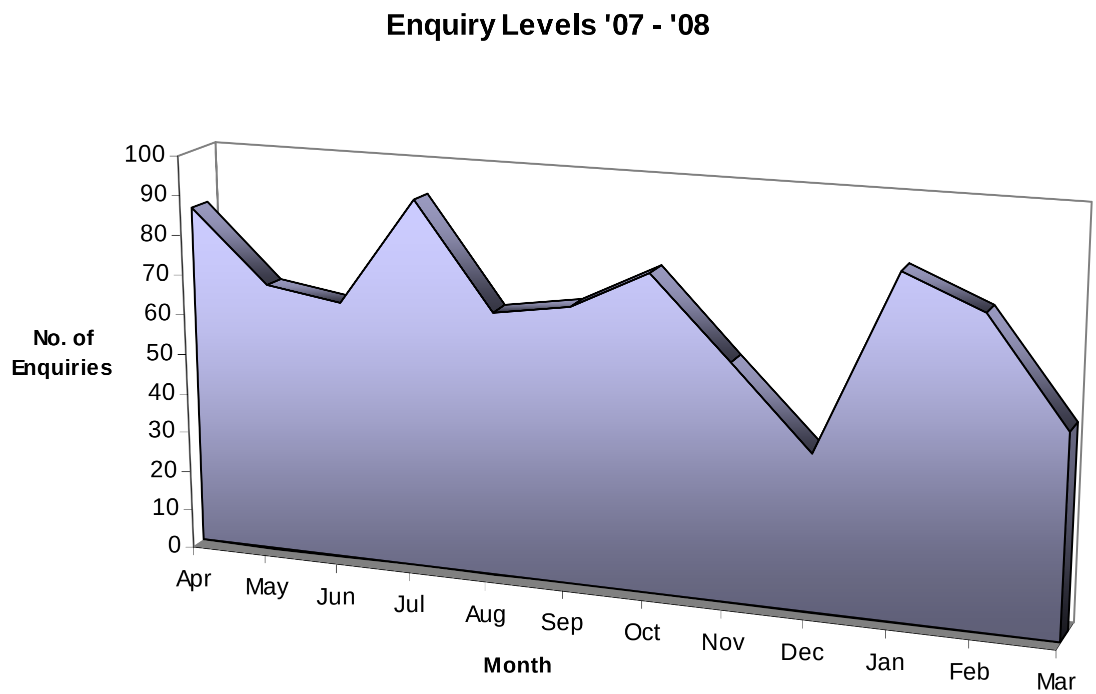
Overview

- This year we have seen a 20% drop in property enquiries, with 833 taken this year compared with 1041 previously. Uncertainty in the financial markets has lead to a drop in business confidence.
- Start-up enquiries (excl. Business Centres) remained steady compared to last year, accounting for 20% of total enquiries.
- Demand for office property was high in the 0-1000 ft.^{2} size range, whilst industrial demand was most prominent in the 2001-5000 ft.^{2} size range.
- The source of enquiries analysis showed that enquiries from local advertising and partner organisations has continued to fall, but website & email enquiries remain popular.
- When questioned, most enquirers stated the reason for contacting RiDO was due to expansion plans, with new start-ups a close second.
- In terms of available floorspace for industrial and office property, the highest level (ft.^{2}) is in the west-central area for both industrial and office due to the large developments along Sheffield Road.
- Job figures for those companies successfully investing in the borough stand at 2797 new and 5464 safeguarded.
- 83% of enquiries are now sent by email as opposed to standard post.
- Customer satisfaction for the year stands at 95%.

Enquiry Levels (Demand for RiDO’s Services)

Monthly Enquiry Levels

The graph below shows the number of enquiries each month for the period April 2007 to March 2008.

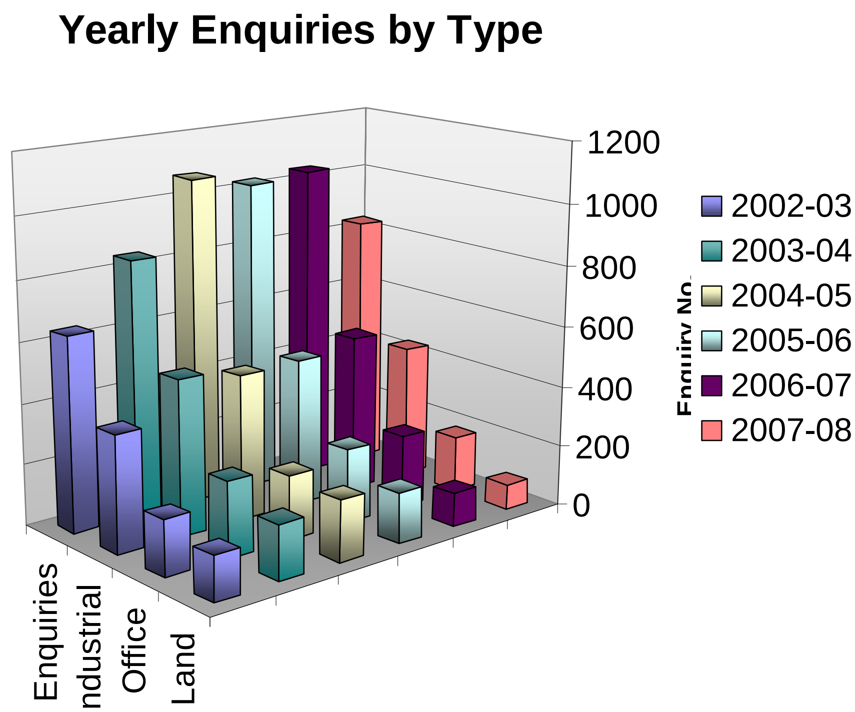


Analysis

Property enquiries have remained quite steady over the course of the year, however, we have seen a 20% drop in enquiries from the previous year. This drop is due to the credit crunch in the financial markets combined with a lack of business confidence and rising property prices. We saw a seasonal dip in enquiries over the Christmas period and it is expected that next years enquiries will remain at the current levels with the potential of another drop in numbers, depending on the financial markets.

Yearly Enquiry Levels 2002-2007

The graph below shows the number of enquiries each year for the period April to March.



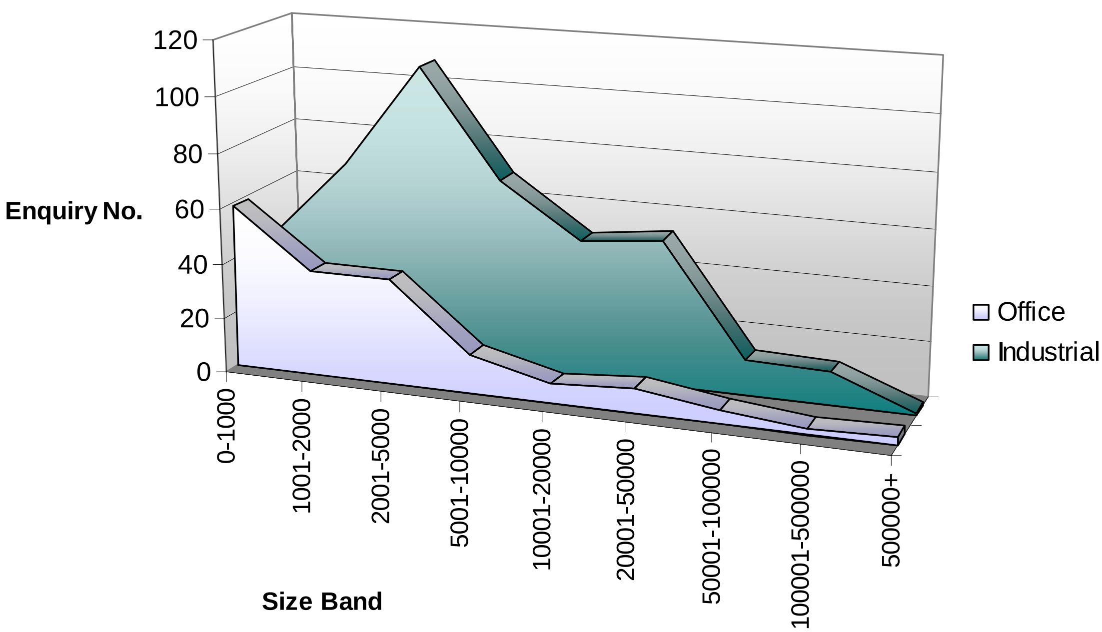
Analysis

There has been a drop in enquiries across the board, with the biggest drop being for land enquiries, which fell by 25% from the previous year. There was a 22% fall in office enquiries and a 15% fall in industrial enquiries, these drops are largely due to the 20% drop in enquiries overall from the previous year. The large drop in land enquiries could be due to the changes in vacant building rates, which will impact on the speculative build market. Other factors to consider are that the Objective 1 funding has ended for new developments combined with the continued rise in land prices and increasing construction costs.

Demand – Office vs. Industrial

The graph below highlights the demand (by enquiry number by size band) for Industrial Property vs. Office Property in the Rotherham Borough.

Industrial vs. Office Demand by Size Band (average)



Analysis

Office enquiry demand continues to be largely for the smaller units available, usually for under 1000 ft.², but still showing reasonable demand up to 5000 ft.². This can partially be attributed to the demand from start-ups for small premises.

Industrial enquiries however have the most demand in the 2001 - 5000 ft.² size bracket, with a good level of demand up to 50,000 ft.². Again, many start-up industrial companies require property in the smaller brackets and so make up a large number of requests highlighted.

Enquiry Demand by Area

In order to give a more specific view of demand across the borough, it was broken down into 4 key areas, shown in Appendix A. These are north, west-central, east and south.

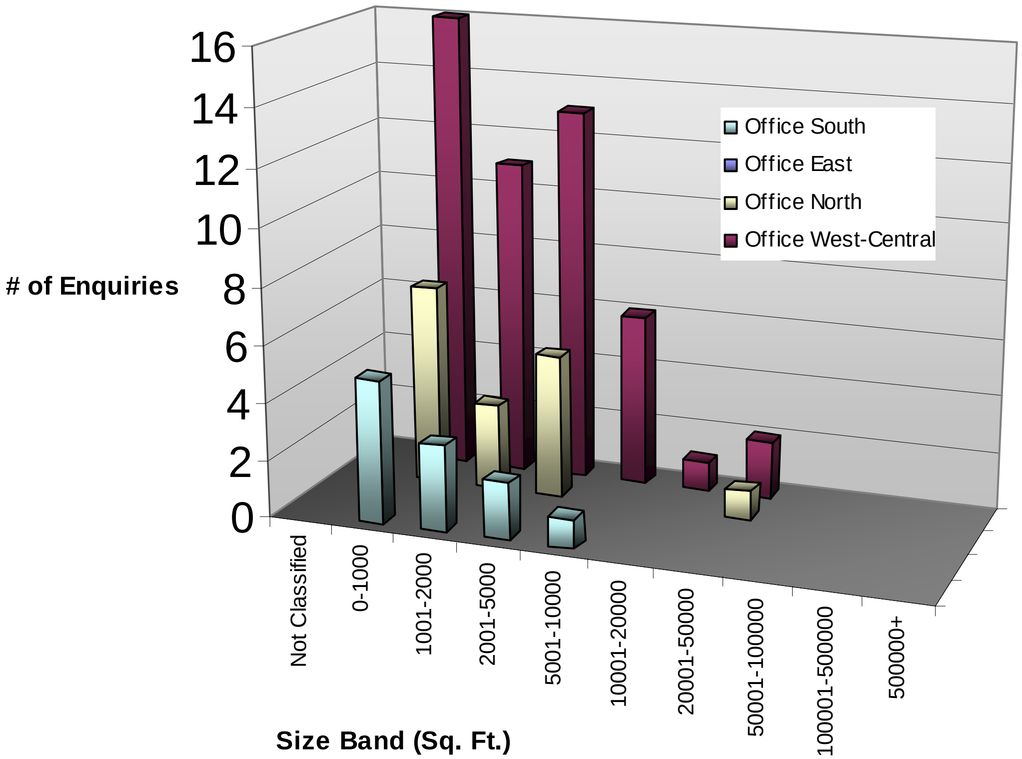
Demand is captured through a question upon first taking a property enquiry, ‘Do you have a preferred location within the borough?’. This is then translated into the appropriate ‘quadrant’.

Demand for Office & Industrial property by quadrant is broken down over the next few pages.

Please note that only a small dataset is available for the analysis on the next four pages, and the results are indicative only.

Office Demand by Quadrant

41% of total office property requests were made for a preferred location. The graph below demonstrates this.



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West-Central

Most of the specific demand for office accommodation within the Borough was made for the West-Central area, especially for the smaller end of the market.

North

Some interest was shown specifically for the northern part of the borough, again within the smaller size brackets.

South

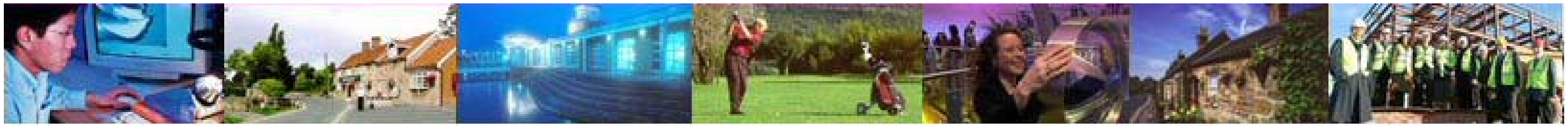
Demand has picked up this year for office space in the south of the borough, this could be due to the new developments around the Dinnington area.

East

As this area is largely rural and residential there isn't usually much demand for office space and this year was no exception, we didn't receive a single office enquiry for this specific area.

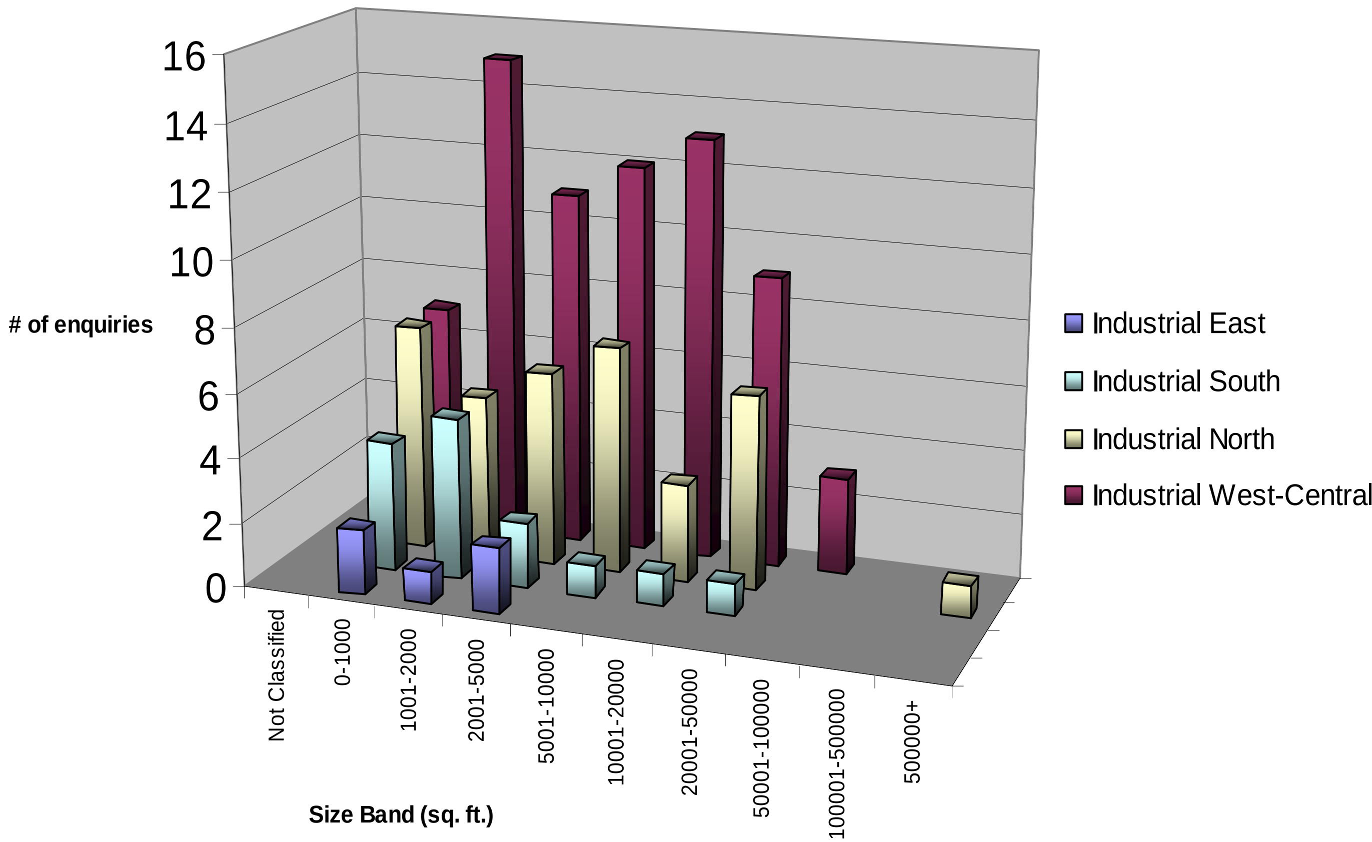
Analysis

As can clearly be seen, office is most in demand around the town centre and western parts of the borough. However, there is also a shown demand for small office in the north and south of the borough, with the larger enquiries being for call centres and data centres.



Industrial Demand by Quadrant

28% of total industrial property requests were made for a preferred location. The graph below demonstrates this.



West-Central

As usual the west-central area has seen most demand in the 2001-5000 ft.^{2} size bracket there has been good demand right up to 50,000 ft.^{2}

North

The northern area of the borough is the next most in demand area, with consistent demand from 1000 – 50,000 ft.^{2}.

South

The south of the borough has seen the 1000-2,000 ft.^{2} size bracket attract most enquiries, with sizes just above and below this also in demand.

East

The east, as with office has seen the least specific demand of all the locations, with only the smaller units attracting any real interest.

Analysis

Again, the west-central part of the borough has seen the most specific demand, although the south and the north have attracted specific interest from enquirers.

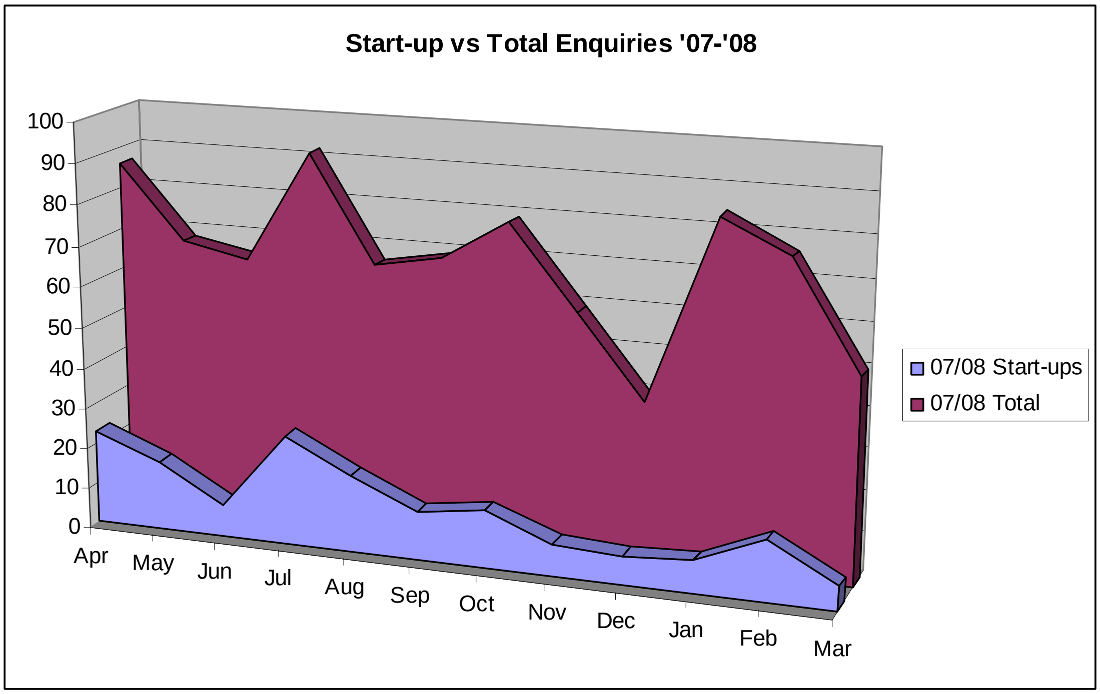
The north has seen good levels of interest, and there is plenty of supply to meet this demand, with further developments due to come online later in the year.

In the south demand is mostly for the smaller units with just a handful of enquiries in the larger size brackets. There are still a number of developments underway in this area and there is good potential for design & build.

Demand in the east fell between the 0-5000 ft. ^{2}, this low demand will be due to a lack of high quality units and a lack of units in general. However, some larger units have become available in this area recently and with good access to the M18 demand may pick up.

Start-up Enquiries[1]

This year we had 164 start-up enquiries from a total of 833 enquiries, making the start-up enquiry rate 20% of overall enquiries, which is the same as last year. However, it should be noted that like general enquiries, start-up enquiries also fell by 20% this year.



Analysis

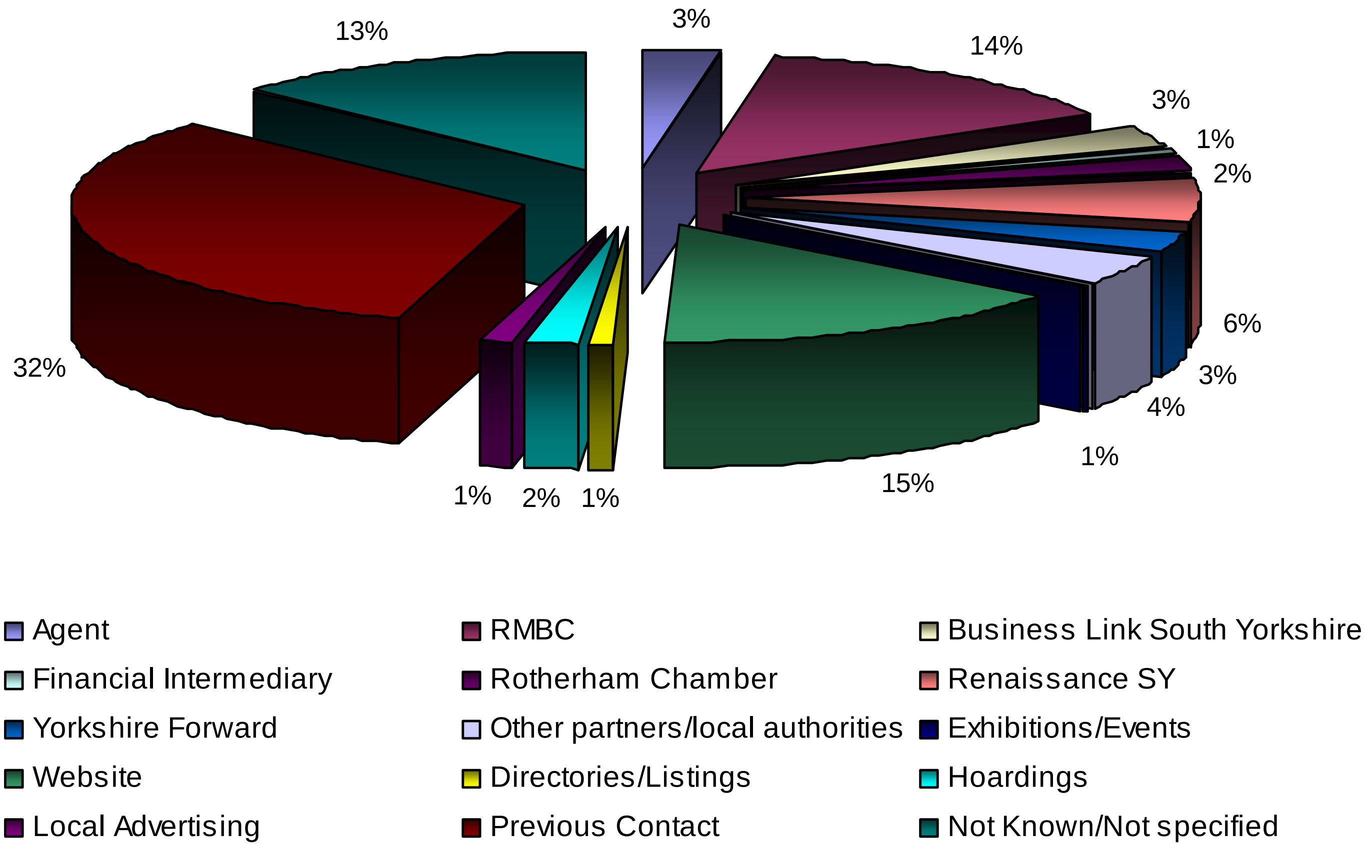
Demand from start-up companies continues in line with total enquiry figures. As with total enquiries, demand has evened out month on month, compared to previous years.

The dip in enquiries in December is due to the seasonal holidays and the dip in March is due to the Easter holidays.

We continue to find a lot of start-ups are choosing to locate within the borough, which highlights that companies are actually putting their plans into action with supporting organisations' help.

[1] Start-up enquiries relate solely to enquiries taken by the RiDO Business Development Team at Reresby House, and do not include the council's start-up business centres.

Enquiry Source



Analysis

We have seen a large drop in enquiries from Business Link South Yorkshire and Renaissance South Yorkshire, falling by 34% and 59% respectively from the previous year, this is due to both organisations winding down pending closure.

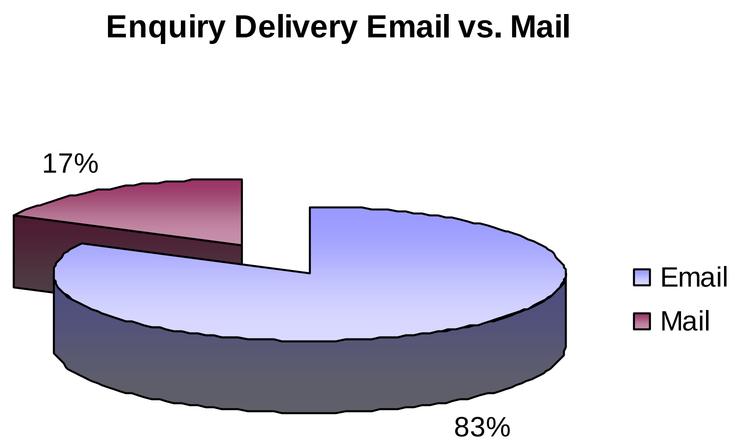
The majority of our enquiries arise through previous contact with the client, with the next biggest source being our website. The website was responsible for 15% of our enquiries this year, which was the same percentage as last year.

Property Agents, the Chamber and our partner organisations in Sheffield, Barnsley and Doncaster provide a large amount of enquiries and we will be working closely with these partners to strengthen these links.

Electronic contact and delivery, as seen on the following page are continuing to rapidly replace telephone and postal interactions. We have cut our spending on local and national advertising and instead we will be focusing our marketing around our website.

Enquiry Delivery

Delivery of Enquiries (Electronic vs. Physical)

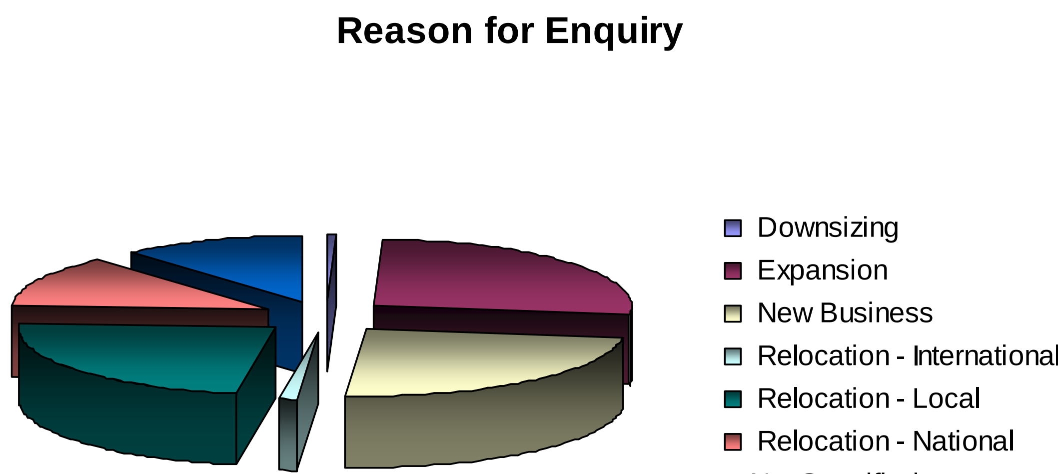


Analysis

RiDO monitor delivery of enquiries, based on the clients preferred method. Monitoring indicated that in the year 2006/07, approximately 75% of enquiries were sent by physical mail, as opposed to 25% of enquiries being dealt with by email. However, 2007/08 saw a further increase in electronic communication with 83% now sent electronically, with more and more people using computers this is expected to rise again next year.

Reason for Enquiries

The graph below shows the reason for property enquiries taken by the Business Development Team.



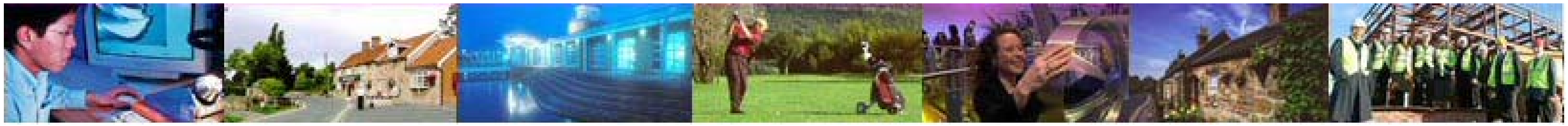
Analysis

Once again expansions counted for the largest amount of enquiries, although these are not currently broken down for local, national & international enquiries at present.

The next highest level of enquiries originated from start-up enquiries, emphasizing the successful approach by Rotherham towards this market, and that the level of support available is attracting people to start-up in the area. With two new incubation centres set to open this year it is expected that we will be focusing more on start-ups and that this number should rise.

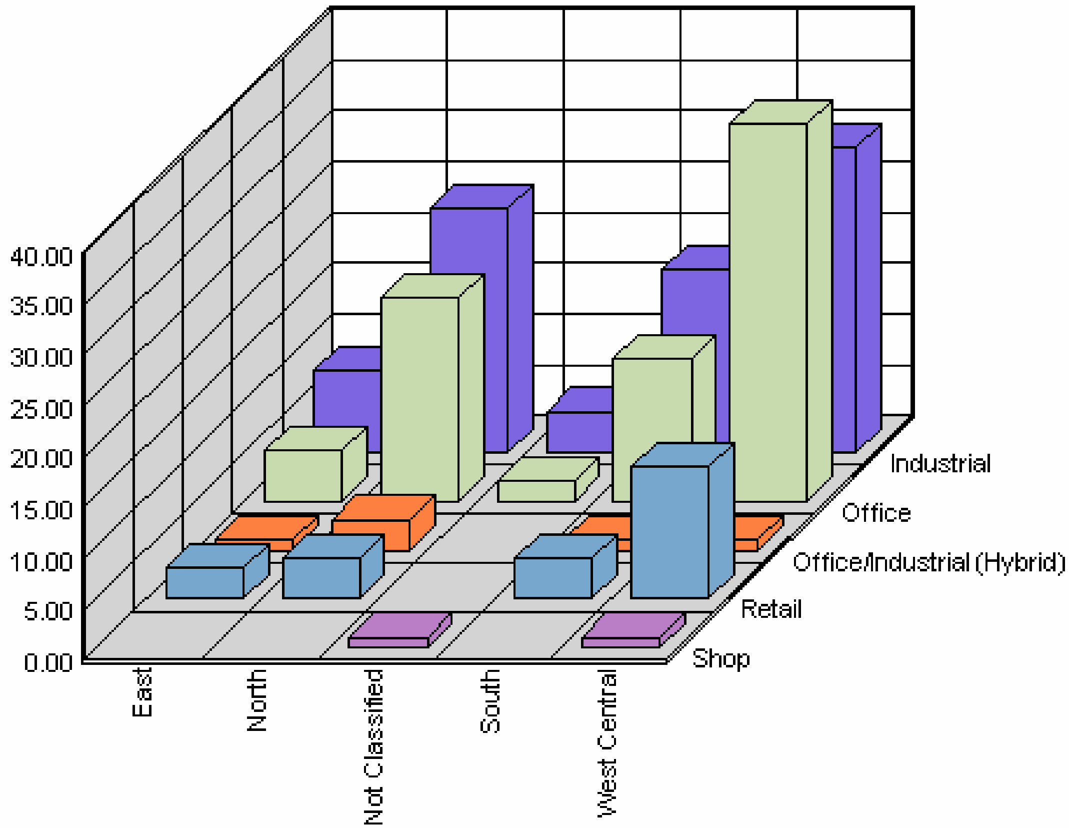
Local relocations remained high, proving the continued attractiveness of the borough to existing companies, whilst there was still a good level of enquiries from UK as a whole.

Unfortunately, enquiries from overseas remained very low this year, despite a number of large foreign investments into the borough this year.



Property Availability by Quadrant

Property Availability by Quadrant by Number



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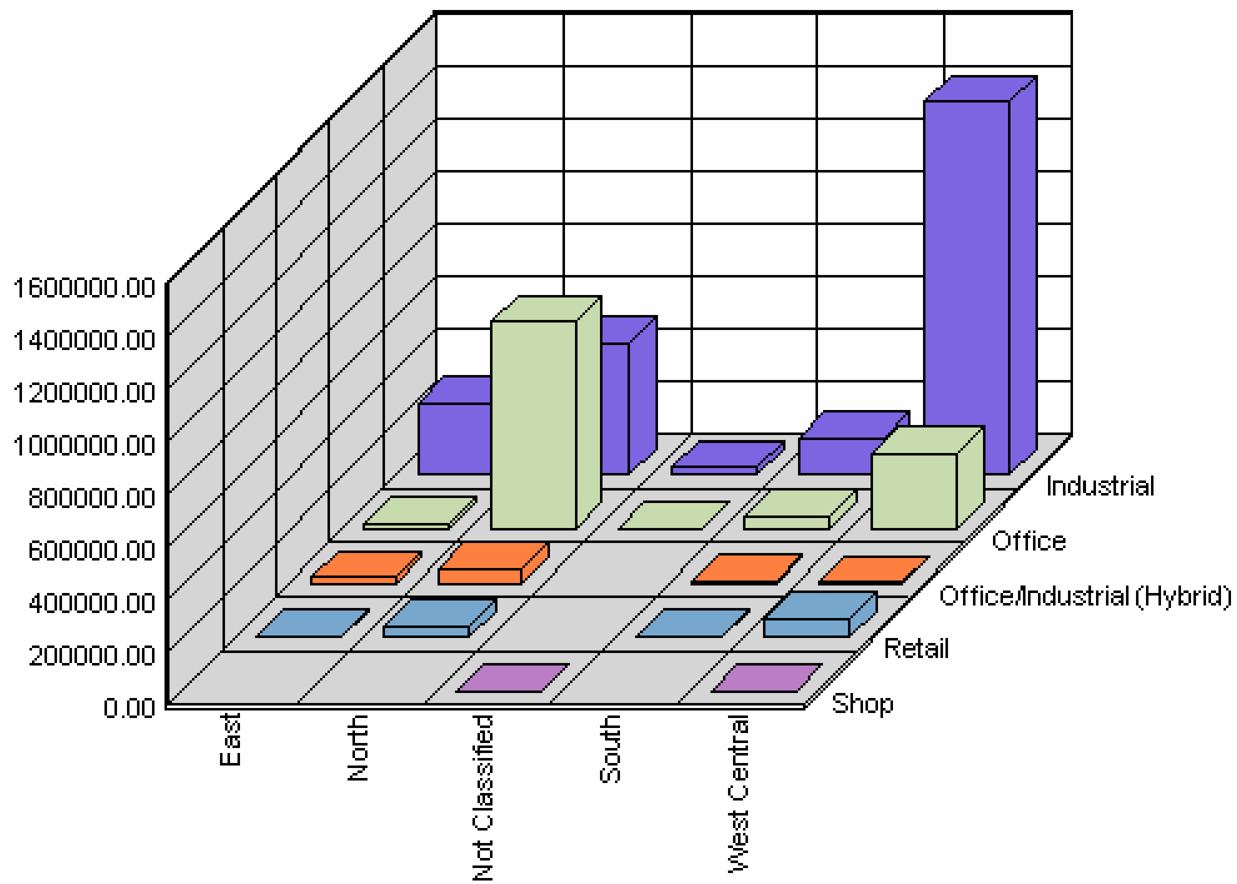
Property Availability by Quadrant by Size[2]



[2] The level in parts of the borough for both Industrial and Office is artificially inflated due to various developments, please see next page for explanation.

Analysis

The level of property in the four quadrants of the borough can be determined by two methods, number of units and unit floorspace.

In terms of floorspace for industrial property, the highest level is in the west-central area, although the northern area also has relatively high levels of floorspace availability. We have also seen a large increase in availability in the east this year, this is due to a large unit in Hellaby being constructed.

Numbers of units in the north have continued to rise, this is mostly due to the new waterfront development nearing completion. The north is also where the most office space availability is, this is due to a number of large call centre developments in the area.

Regarding industrial units, most availability is in West/Central, there are a number of large properties along Sheffield Road with a couple of big developments nearing completion, such as Ignite@Magna and Magna 34. There is also a new council owned business centre in this area which is just about to go online and will provide both office and industrial space.

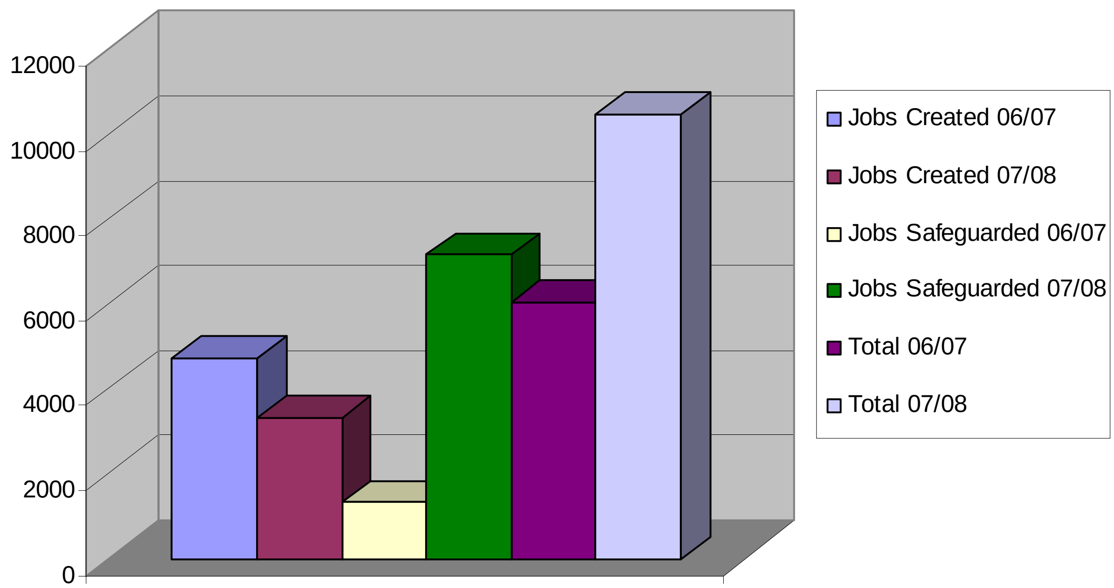
Availability in the south remains steady this year, the ‘Dinnington Business Park’ development is now well underway, with a number of smaller units making up the floorspace.

The east of the borough lags behind the rest of the borough in terms of available floorspace and unit numbers although the area is largely rural/residential. The availability is from new developments on ‘Aven Industrial Estate’ in Maltby and there has also been a new large unit built at Hellaby Industrial Estate.

Successes & Job Gain

There were 563 companies captured as locating to, starting up in or expanding within the Rotherham Borough during 2007/08, compared to 649 for 2006/07. The graph below shows the job gain/jobs safeguarded for these successes over the last two years.

New & Safeguarded Jobs 06/07 vs 07/08



Analysis

Whilst the number of jobs created has fallen over the course of the year, the number of safeguarded jobs is over 5 times that of the previous year. Subsequently, the total for the year is 73% higher than for 2006/07.

Improved data capture methods have already begun to improve job numbers captured, as well as company relocations, and hopefully our methods should continue to improve year on year.

Appendix A - Approximate Geographic Boundaries by Quadrant